

29 August 1979

MEMORANDUM FOR: Deputy Director for Administration

FROM: James H. McDonald
Director of Logistics

SUBJECT: Industrial Security Oversight 25X1

REFERENCE: D/OS memo dtd 17 August 1979, same
subject; (DDA 79-2725)

1. I believe Bob has given a pretty good picture of his oversight into the industrial contract/security efforts of the Agency. There is certainly far more liaison and interface now with elements of the main Office of Security and Industrial Security Officers (ISO) assigned to Logistics or S&T than there was just a few years ago. These channels of communication are clear and, as Bob states, are fast and free of protocol so that he or his staff is quickly informed of problems. 25X1

2. As he points out in paragraph 6, however, the key ingredient is the relationship created between the contractor and the ISO assigned to Logistics or S&T who works with the contractor on a day-to-day basis. This relationship is further enhanced by the degree of rapport and understanding between the ISO and his contracting officer, since it is only through the latter that the contractor's compliance with security provisions is implemented and enforced. I believe these relationships are at an alltime high and we are all working very closely together. 25X1

3. Where there is conflict between the contracting/security officers and the technical officers that cannot be resolved at the component level, Bob and I have jointly addressed these issues particularly with S&T. An example of such is the joint memorandum to the D/ORD/S&T on the issue of incorporating the new Industrial Security Manual (memorandum attached).

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SUBJECT: Industrial Security Oversight

4. I would take issue with Bob on only one point, and that is the use of security audit teams mentioned in paragraph 7. As Bob points out, these unannounced audits result in recommendations which are forwarded to Logistics or S&T for appropriate action. I am not so sure that it wouldn't be a better investment of resources to assign these security officers now doing audits to the contracting elements/teams to work closely with contractors on a daily basis to develop good security practices and policies, as opposed to an annual, or at best a biennial, review. If something is wrong now, I don't think we should wait a year or two to find out. This type of resource investment is particularly applicable to the Logistics contracting program as opposed to the National programs. These types of industrial security programs are different, in that under the National programs security follows the particular contract or project and there is continuous contact and liaison between the security officers and the contractors. On the Agency, or Logistics, side it is more of an industrial facility security program. By this I mean the security procedures for a facility are established and approved to accept a variety of contracts from many different Agency components. At any given time there may be a dozen or more different contracts in a contractor's facility, involving five or six different contracting elements/teams. Therefore, it is necessary that a consistent, and perhaps a broader, security policy framework be established for the contractor to work within since it is not possible for the ISO to monitor individual contracts on a daily basis. Additional resources would increase the amount of contact between OL, ISO's, and contractors, providing a more current examination of contractors' practices. 25X1

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for James H. McDonald

Attachment

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OL/D/JHMcD/jhm

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15 AUG 1979

MEMORANDUM FOR: Director of Research and Development

FROM: James H. McDonald
Director of Logistics

Robert W. Gambino
Director of Security

SUBJECT: Security Requirements 25X1

REFERENCE: D/R&D memo dtd 23 July 1979, subject:
Security Procedures for Contractors
(ORD 1105-79)

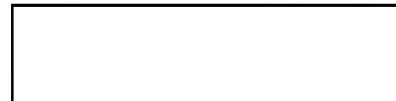
1. We have reviewed your comments in referent concerning our new industrial security manual, Standard Security Procedures for Contractors, and will address the various issues you have raised. Initially, however, we would like to clarify an apparent misunderstanding. The new industrial security manual is not in effect at the present time. It is currently being distributed to contractors, and will not become effective earlier than 120 days after receipt. Contractors are also afforded the opportunity to voice any concerns, request waivers, or submit proposals for resultant cost increases by virtue of the new manual.

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2. The decision to purchase the security container for the was made under existing security regulations. While the new industrial security manual does strengthen some security areas, it does not significantly change current storage standards. The requirement to alarm, for example, is not a new criterion. 25X1

3. Your concern for the impact of the manual on small contractors is understandable and we share it. We perceive difficulty, however, in attempting to establish different security standards to accommodate the various strata of vendors who will contend for classified Agency contracts.

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We are sure that you will agree that the size of the company or the dollar value of the contract does not necessarily govern the sensitivity of the information involved. A "small contractor" could be in possession of highly classified material, making it inappropriate to reduce standards based on smallness of the contractor.

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25X1 4. Additionally, consideration must be given to the possibility that the small contractor may have a continuing contractual relationship with us. For example, the total value of the 16 contracts with this Agency since 1972 (7 with your Office and 9 with OTS and NPIC) now exceeds \$230,000 and there is every indication that our classified contracting relationship with will continue in the future.

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5. Obviously, there are always some inequities between contractors despite the attempts we make to equalize their opportunities to bid. In the past, our Agency Industrial Security Officers have always exhibited flexibility in finding solutions which will allow our procurement actions to proceed with minimal risk. The Agency Task Force on Industrial Contracts and Industrial Security reinforced this philosophy in their recommendation to the DCI, in response to his request for a new, uniform and precise industrial security manual, by stating that "...we cannot completely abandon the flexibility which has permitted the experienced Industrial Security Officer to make reasoned, independent security judgments on-site consonant with cover and operational considerations." Thus, when the situation demands, the Industrial Security Officer can, with approval from appropriate authorities and careful recording of the fact make adjustments which will best serve Agency programs.

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6. In the instant case, while the Company's safekeeping equipment technically did not meet security standards, the cognizant Industrial Security Officer, after an overall security assessment, decided to allow the contractor to continue on our contract. During the most recent security inspection, it was determined that the contractor's efforts now involve such considerations as the

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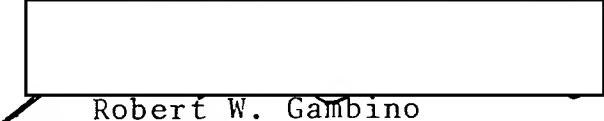
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storage of sight-sensitive equipment and classified ADP discs in addition to classified documents. As a consequence, a technically approved security container was recommended. In view of the contractor's location, an alarm requirement was not levied by the cognizant Industrial Security Officer. 25X1

7. In summary, we agree with your observations concerning the difficulties we face in bringing new contractors into the classified RFP arena and we will do everything consonant with good security to assure the flexibility necessary to promote maximum competitive opportunities. 25X1

/s/ James H. McDonald

James H. McDonald

 Robert W. Gambino

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DD/A Registry

79-2725

17 AUG 1979

MEMORANDUM FOR: Deputy Director for Administration

FROM: Robert W. Gambino
Director of Security

SUBJECT: Industrial Security Oversight

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1. Action Requested: None; for information only. 25X1

2. In all classified contracting modes, it is recognized that security is a command responsibility and that security guidance must ultimately be provided to the contracting officer who alone possesses the delegation of authority to sign contracts binding the Government and, by contractual agreement, establishes binding security requirements. 25X1

3. Agency regulations, as revised in 1978 following DCI approval of an Industrial Security Task Force report, charge the Director of Security with coordinating the entire industrial security effort of the Agency; insuring that industrial security support is well organized and effective; exercising functional supervision over all Agency Industrial Security Officers; developing and publishing uniform security policy and standards for industrial contractual arrangements; and providing trained professional security officers to those Agency components engaged in industrial contracting. 25X1

4. The terms used in these regulatory functions do not spell out the dichotomy which exists between Agency programs and National programs. The intent is clear, however, that the functional oversight to be provided by the Director of Security extends over both areas. (That the dichotomy would continue was reaffirmed by the decision to not approve the recommendation of the Industrial Contracts and Industrial Security Task Force to establish a single delegation of

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contracting authority rather than continuing the existing dual delegation from the DCI to the Director of Logistics and to the Chief, Contracts Staff, Office of Development and Engineering.)

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5. In recognition of this continuing dichotomy, the Director of Security exercises oversight primarily through two senior career security officers -- the Chief, Security Staff, OD&E, and the Chief, Security Staff, OL. These seasoned professionals can be counted upon to inform the Director of Security promptly of any security flaps; problems arising in the physical, technical, and personnel security areas; security decisions involving important policy variances; and security decisions where rigid adherence to security standards creates a standoff in getting the job done. The system is fast, flexible, free of protocol, and provides the Director of Security with the opportunity to be aware of deviations, make reasoned judgments, and reach timely decisions.

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6. In order, however, for the Director of Security to achieve maximum oversight of the entire industrial security support system, the following additional steps have been taken to bring the Director of Security and the Industrial Security Officer closer together. (The Industrial Security Officer is an active participant in the classified contracting team concept. The more conversant he is with the technical aspects of his contracts, the more effective he can be in working up security plans and providing guidance. The relationships he creates with his contractors go a long way toward determining how much feedback and knowledge the contracting components and the Director of Security obtain regarding incipient or active security problems -- it must be a carefully nurtured, professional relationship, establishing a working rapport of mutual problem solving. Once established, this relationship fills an informational and timeliness need which no formal inspection system can ever provide.)

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a. Letters of Instruction tailored for each individual Industrial Security Officer (ISO) have been prepared, reviewed and approved by the Office of Security.

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b. The fitness report for each ISO (which is written by the contracting component) is reviewed by the Office of Security. An overall evaluation as to each ISO's performance in carrying out security policy is prepared, reviewed with the officer, and formally recorded in the official personnel file.

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25X1 c. Each individual ISO (including those is seen personally by a senior representative of the Office of Security on a one-on-one basis at a minimum of twice a year. A report of each meeting is given to the Director of Security.

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d. Monthly activities reports from each contracting component are submitted to the Office of Security for review.

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25X1 e. The Director of Security meets personally once a month with a group which includes all ISO's in order to keep them abreast of Office policy and activities. On a biweekly basis, the Director of Security meets with a group which includes the senior ISO from the staffs of the Director of Logistics and the Director of Development and Engineering.

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f. A representative of the Director of Security attends the monthly meeting of all ISO's involved in Agency contracts.

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g. A representative of the Director of Security sits on the Agency Contract Review Board and the newly created National Programs Contract Review Board.

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h. A direct link has been set up from each ISO to a senior representative of the Director of Security through which the ISO can express his formal written views of security audit findings and seek other solutions when his professional judgment so dictates.

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7. In order to assess the quality of the security support at contractor sites, the Industrial Security Branch conducts unannounced security audits, the results of which are forwarded to the Office of Development and Engineering and/or the Office of Logistics for appropriate action. To streamline the security auditing process, Office of Security auditors have recently adopted the practice of giving their recommendations directly to the cognizant ISO within 10 days after completing the audit. A senior representative of the Director of Security attends each one of these briefing sessions.

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8. In coordination with the Director of Logistics and the Deputy Director for Science and Technology, the ISO strength has been increased from five to nine with area management responsibilities placed clearly with one senior ISO for the National program and one senior ISO for the Agency program. The old anomaly of having the DDS&T provide security management for non-DDS&T Agency programs has been eliminated.

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9. In coordination with the Director of Logistics, two additional ISO's have been assigned to the Security Staff of that Office to increase contractor security oversight capabilities.

10. A new industrial security manual, Standard Security Procedures for Contractors, has been prepared and sent out to some 400 contractors for their review and comments prior to incorporating its terms into existing and future contracts. (A copy accompanies this paper.)

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11. A second industrial security seminar will be given this fall for some 40 contractors' security representatives. Included on the agenda will be discussions on improving

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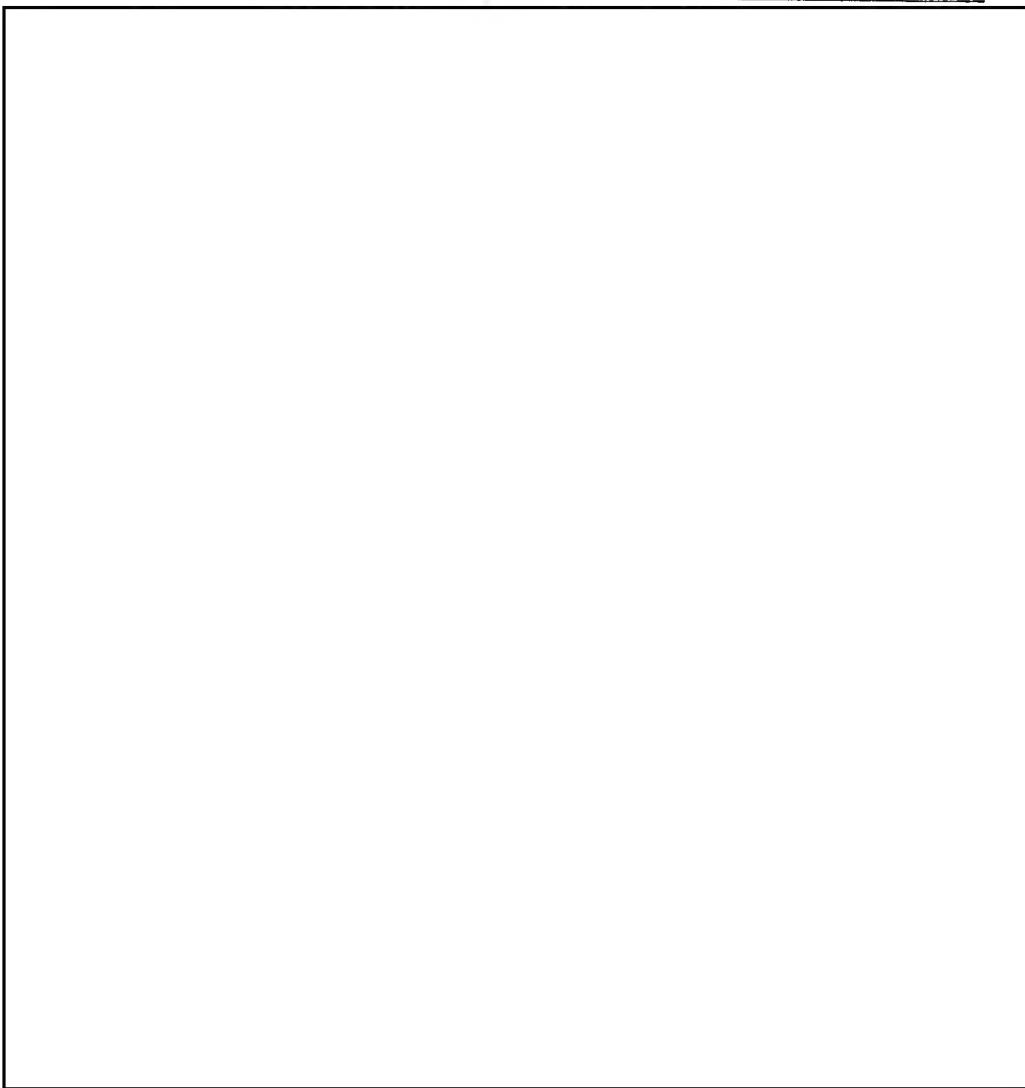
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communications, the impact of APEX on the SCI world, the FBI Industrial Counterintelligence program, the impact of the terms of the new industrial security manual, and finally individual discussions on items of particular interest to any of the contractors.

12. The following table gives the location and number of the Industrial Security Officers currently serving outside the Office of Security in the Agency and National programs:

Office of Logistics (Agency) Contracting Program

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